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What is public relations to society? Toward an economically informed understanding of public relations

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ABSTRACT

The notion of public relations contributing to the fabric of society is heavily contested in the public sphere and under-researched by the academy. The authors of this paper propose that the study of the relevance of public relations to society can be enlightened by turning to economics. Using information asymmetry as a framework, the argument is that public relations can be analyzed as a social institution that both helps to mitigate market imperfections and consequently increases the efficiency with which society's resources are allocated as well as the chances for more market participants to derive value out of economic transactions.

1. Public relations and society

The notion of public relations contributing to the fabric of society is heavily contested in the public sphere and under-researched by the academy. As long as this remains the case, public relations will not complete its journey to professionalism. After all, the contemporary lists of requirements for achieving professional status of public relations all include some form of constitutive or sustaining role for society (Cameron, Sallot, & Weaver-Lariscy, 1996; Cutlip, Center, & Broom, 2006; Niemann-Struweg & Meintjies, 2008; Parsons, 2004).

Instead, public debate about public relations often focuses on the possible harm inflicted upon society, with, e.g. the Economist claiming that "PR man has conquered the world" (18 December, 2010: 128) and is, according to the International Herald Tribune (31 January, 2012: 16) ladling out "slop meant to obscure rather than reveal."

The public relations academy has not provided a counter narrative of equal weight. This is, first, because the organization – not society – is its prevalent level of analysis, as inspired by the excellence study (Grunig, 2006; Grunig, Grunig, & Dozier, 2002), which remains the dominant paradigm for the field (Botan & Hazleton, 2009; L'Etang & Pieczka, 2006). Consequently, the public relations academy mostly theorizes from the viewpoint of managerial rationality and simply implies - mostly without investigation – that public relations at least does no societal harm, because it enables dialog as an enactment of mutual balancing between organizations and their publics (Demetrious, 2006).

Second, postmodern and particularly critical scholars repudiate the notion of public relations contributing to society. They contend that dialogic public relations perpetuates the hegemony of corporations over their environment and of "western" forms of corporate capitalism over marginalized communities and societies in general (Dutta, 2012; Leitch and Neilson, 1996, 2001; L'Etang & Pieczka, 2006; Munshi & Kurian, 2005). Society will be harmed, they contend, by public relations because it

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serves to maintain managerial hegemony “through the making of concessions at key areas of contestation” (Roper, 2005p. 70; Demetrious, 2013).

Third, the academy has failed to connect public relations with society because the few scholars who use a macroscopic perspective have remained over-shadowed by the organizational paradigm. Investigations of public relations as a macro-social phenomenon are typically made by the academy in Europe, but with little impact beyond the continent. The seminal work by Ihlen et al. (2009) and the special issue of Public Relations Review (33/2007) started the application of grand social theory to public relations. The more specific question of how public relations and society interlink has been tackled by scholars (Ronneberger & Ruehl, 1992; Burkart & Probst, 1991) using, for example, Luhmann’s (1989, 1990, 1995) social systems theory as well as Habermas’ (1981) communicative action theory. Heath (2006), Heath, Waymer, & Palenchar 2013) has developed the notion of public relations assisting in the workings of a “fully functioning society” and democracy, building on the arguments of other rhetorical scholars such as Pearson (1989) and Toth and Heath (1992). However, all of these approaches have had limited impact on the debate about what public relations contributes or is to society.

A gap remains in public relations scholarship that brings organization and society together (Gregory, 2012). Organizations are actors beyond their managerial utility and they contribute to, shape and help define society. Indeed the language of business in particular, increasingly permeates public discourse. Hence, discussing the organizational level of analysis without including the societal perspective is partial.

2. An economic turn

The authors of this paper propose that the study of the relevance of public relations to society can be enlightened by turning to economics, which does not have the same bifurcation between organization and society and is “widely seen as the most advanced of the social sciences with its mathematical formalization, public prestige and Nobel prize awards” (Ioannides & Nielson, 2007: 1). This requires accepting the economic axiom that society as a whole can and should benefit from economy as long as markets – provided they function – allow a society to distribute its scarce resources.

Wildman (2008), Podnar, Lah, and Golob (2009) and a special issue of Public Relations Review (35/2009) have reminded the communication academy more generally of the potential of economic theory and of traditional schools of economic thought. McKie and Lawniczak (2009: 337) lament the lack of attention to economics and call for macro-economic input into public relations theory (Lawniczak, 2009). However, turning to economic theory for insights by public relations scholars has been limited (e.g. Willis, 2012). The authors suspect that this has to do with the educational background of practitioners and academics and their lack of familiarity with economic theory, and also with the “autistic condition” (Ioannides & Nielson, 2007: 1) of (neo) classical economics that traditionally uses idealized mathematical models and is not open to contingent social factors.

It is now appropriate to apply economic theory more specifically to public relations because economic theory has changed. The recent economic crises have fundamentally called into question the value of (neo) classic economic thought. In response, economic theories that veer away from the classic homo economicus are gaining traction since they offer richer explanations of “how the economy really works” (Akerlof & Shiller, 2009: 5) by incorporating the human condition. Two of these richer models have been awarded Nobel Prizes and are at the core of current economic debate: information asymmetry, as advanced by Akerlof (2000), Spence (1973, 1974, 1980) and Stiglitz (1975, 2001a,b), and “common-pool resources,” as described by Ostrom (1990, 2009). This paper focuses on the first of these two.

3. The market context of public relations

The authors’ argument is that public relations can be analyzed as a social institution that helps to mitigate market imperfections and consequently both increases the efficiency with which society’s resources are allocated and increases the chances for more market participants to derive value out of economic transactions.

Akerlof, Spence and Stiglitz’ starting point is the refutation of the assumption that markets are moved toward perfect efficiency by the “invisible hand”. They challenge the (neo) classical economic axiom that market participants decide rationally, ultimately allowing every market to reach an equilibrium, of which a good’s price is the most important reflection (also called the “optimal efficiency” by Adam Smith). In work spanning over four decades, the three Nobel laureates – Akerlof, Spence and Stiglitz – describe how markets in reality diverge fundamentally from that assumption, thereby inhibiting the ability and propensity of rational decision-making and ultimately damaging the capacity of markets to allocate society’s scarce resources efficiently. Crucially for the argument about relevance to society, these imperfections also limit the equitable distribution of economic participation and welfare (Stiglitz & Walsh, 2006: 239–246).

More specifically for public relations, Akerlof, Spence and Stiglitz reject the notion that any market participant has all the relevant information about the transactions in which he or she chooses to engage, whether that is about the quality of goods, the nature of the relationship with the other party, the prices of all goods or so-called externalities. Externalities are the positive or negative consequences that are produced by a specific transaction, a field of transactions or an entire market, but for which the costs are not borne by the participants of the transaction and are therefore not included in the pricing system. For example, when a company moves its operations offshore, the social and economic impact on local communities in the country it is leaving is not borne by the company. While (neo) classical economic theorists mostly exclude these externalities from their analyses and assume that they will over time be included in the price system (particularly given the